

The Program Evaluation Division received cooperation from UNC General Administration in conducting this review. However, data requests were not fulfilled in a timely manner, and UNC officials had difficulty locating existing documents. Also, on several occasions, UNC General Administration had to create policy documents in response to requests for historical documentation of the formula's components. These delays lengthened the time needed to complete this review, but the information that was eventually provided was accurate and complete.

Background

Access to higher education is a central goal of the University of North Carolina (UNC) system, and UNC officials regard growth as an important part of ensuring access. Ensuring affordability and access to higher education for all who qualify is the first strategic direction in the system's 2004-2009 long-range plan.² In addition, increased access, particularly for underserved North Carolinians, is the second recommendation—after ensuring high-quality institutions—in the report by the UNC Tomorrow Commission.³ A UNC system official explained that when General Administration works with campuses to develop growth projections, they are guided by the idea that UNC is about access, and this access must be funded.

The UNC system has used funding formulas to justify funding for enrollment growth for over 30 years. The UNC system's first funding model was created in 1978 and used full-time equivalency (FTE) as the basis to calculate and determine funding to support enrollment change (See Appendix A). In 1995, the General Assembly directed the UNC Board of Governors to consider alternative approaches to funding undergraduate and graduate enrollment. Following recommendations from a three-phase study by MGT of America, a consulting firm with expertise in higher education funding, the Board of Governors adopted the semester credit hour⁴ enrollment change funding model in 1998, which was used as the basis for appropriations to support enrollment change in regular-term instruction by the General Assembly for State Fiscal Year 1998-99 (See Appendix B). In the following biennium (1999-01), the request for funding distance education credits was based on the same formula.

Higher education funding formulas are widely used across the country. According to a 2006 survey, 38 states were using funding formulas to determine some or all funding for higher education. North Carolina is among 26 states that use enrollment-based funding formulas. Other methods include

- benchmarks or peer institutions – uses a per student cost for allocations, often based on peer institutions (used in 14 states),

² The University of North Carolina Board of Governors. (2004). *Long-Range Plan, 2004-2009*. Retrieved from <http://www.northcarolina.edu/>.

³ The Commission conducted a study designed to help UNC anticipate and respond to the challenges of the 21st century. See UNC Tomorrow Commission. (December 2007). *Final Report*. Retrieved from www.northcarolina.edu/nctomorrow.

⁴ The term "semester credit hours" is the same as student credit hours.